

Winspear Business Reference Library
University of Alberta
1-18 Business Building
Edmonton, Alberta T6G 2R6

Concord Pacific Group Inc.

2001 Annual Report



Creating Communities. Creating Value.

Table of Contents

Corporate Profile	1
President's Message	2
The Concord Development Model	4
Report from Vancouver	5
Report from Toronto	8
Management's Discussion and Analysis	11
Management's Responsibility	16
Auditors' Report	17
Consolidated Financial Statements	18
Directors and Officers	IBC
Corporate Information	IBC

Corporate Profile

Concord Pacific Group Inc. is Canada's leading developer of urban, master-planned residential communities. Concord Pacific's two significant assets are the emerging communities of Concord Pacific Place in Vancouver, Canada's largest residential project currently under development, and CityPlace in Toronto, the largest residential project ever planned in the history of the city.

Concord Pacific's Holdings Include:

Properties developed and held for sale

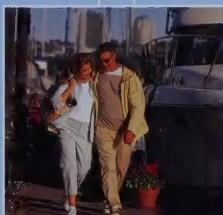
- ▶ Quaywest, a two-tower condominium and townhouse waterfront development in Vancouver, representing a total residential and commercial area comprising of 425,664 buildable square feet (394 residential condominium units). Construction of one of the two towers (171 residential condominium units and 12 office units) was completed in December 2001, and sales of 96 units closed.

Properties under development

- ▶ The second tower of Quaywest (223 residential condominium units) was completed in January 2002;
- ▶ Quayside Marina, The Concord, WestONE and Waterford in Vancouver comprising of a total residential area of 614,189 buildable square feet (461 residential condominium units) and 5,901 linear feet (115 freehold marina berths and 11 leasehold marina berths);
- ▶ Matrix, Apex and Optima in Toronto comprising of a total residential and retail area of 1,397,224 buildable square feet (1,683 residential condominium units).

Land held for future development

- ▶ Development lands in Vancouver with zoning in place to permit construction of 363,886 buildable square feet of residential and retail area;
- ▶ Development lands in Vancouver consisting of 4.6 million square feet of residential and commercial space. This land is owned by Pacific Place Holdings Ltd. ("PPHL");
- ▶ Development lands in Toronto permitting the development of 4.3 million square feet of residential and commercial space.



President's Message

A Message from Terence Hui, President and CEO

The momentum continued to build at Concord Pacific in 2001 as we shifted into high gear on a new wave of developments.

In Vancouver, we moved ahead with our new \$600 million, 38-acre Beach Crescent Neighbourhood, launching Waterford, and the Azura and Azura II projects to a remarkable response, and began construction on WestONE and Waterford. The Beach Crescent Neighbourhood is part of our \$3 billion Concord Pacific Place development, the largest master-planned residential/commercial project under development in Canada.

In other parts of Concord Pacific Place, we began construction on The Concord and Quayside Marina in 2001. We also announced our plans for a new combined retail/residential development on the Eastern edge of Concord Pacific Place, adjacent to GM Place. The new development will include a Costco retail store and four residential towers creating new homes for up to 1,000 families.

In Toronto, we began reshaping the urban skyline as we proceeded with construction on the first three developments in our \$1.5 billion CityPlace project. Situated on the shores of Lake Ontario, CityPlace is the first master-planned community ever developed in downtown Toronto. The year also brought the successful launch of our fourth major project at CityPlace, Harbour View Estates, a new multi-phase waterfront project.

2001 Results

Financially, our 2001 results were driven by completing construction of QuayWest, a 394 unit, two-tower condominium and townhouse development at Concord Pacific Place in Vancouver. Sales of 96 units closed in December 2001, contributing the majority of the year's revenues. The remaining 298 units at QuayWest closed in the first half of 2002.

Overall, 2001 was an outstanding year. I am delighted to report that we had contracts in place for a total of almost 3,600 units in 11 projects, establishing a new company record. These pre-sales set the stage for a strong revenue stream in 2002 and beyond as our new projects are completed and sales close.

The year's pre-sales results say a great deal about Concord Pacific's ongoing success in creating dynamic and appealing communities. People want to live in the communities we create. Our results also reflect our ability to attract many different segments of the home buying market to our communities with tight-

ly-targeted, and well-timed individual projects. During 2001, we clearly demonstrated that we know how to provide what the market wants.

In Vancouver:

- ▶ We launched Waterford, an elegant new 28-storey condominium in the Beach Crescent Neighbourhood. Targeted to upscale discriminating buyers, Waterford's large suites, ocean views and luxury finishes created a near sell out within a matter of months. By year-end, the project was 95% pre-sold. Construction is underway and scheduled for completion in the third quarter of 2003.
- ▶ Azura instantly hit the mark with young, design conscious urban professionals. This stylish 33-storey building with three-storey townhomes features contemporary interior design by the Toronto-based Cecconi Simone design firm. By year end, 95% of Azura's 207 condominium units were pre-sold.
- ▶ Following the rapid response to Azura, we launched Azura II late in 2001. Within weeks, the 200 unit, 33-storey project was also 95% pre-sold. Construction on both Azura and Azura II is scheduled for completion during the fourth quarter of 2003.

In Toronto:

- ▶ Home buyers responded enthusiastically to the launch of Harbour View Estates, our new multi-phase waterfront project. The first phase features a 40-storey residential tower, and a seven-storey loft style building - the first of its kind at CityPlace. By year end, the 519 condominium units of Phase I were 95% pre-sold.
- ▶ Late in the year, we launched Phase II of Harbour View Estates which features a 49-storey residential tower and townhouses. By the end of 2001, the 516 condominium units of Phase II were 57% pre-sold. Completion of Phase I and Phase II of Harbour View Estates is presently scheduled for the second and third quarters of 2004, respectively.

Outlook

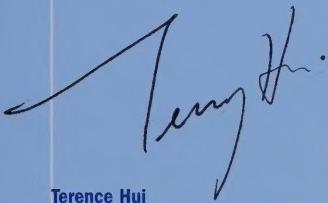
Moving forward, we anticipate continued favourable response to our products in 2002.

In Vancouver, the housing market remains very strong, and we have already launched two new projects, Park West and Two Park West. Located in the popular Beach Crescent Neighbourhood, these 29-storey condominium towers are presently scheduled for completion in late 2004.

In Toronto, CityPlace continues to gain momentum as this exciting new community comes to life. Housing demand remains steady in Toronto, and interest in CityPlace is growing.

In 2002, we undertook the amalgamation of Pacific Place Holdings Ltd (PPHL) with Concord Pacific Group Inc. PPHL owns the lands held for development at Concord Pacific Place in Vancouver. By combining PPHL's assets and liabilities with our own, we will simplify our corporate structure and streamline our operations in Vancouver.

Now, as we come to the close of a very busy year, and launch into another, I want to pause to thank our managers, staff, and Board of Directors for their significant contributions. Our vision of creating vibrant and successful master-planned communities is coming to life. In the process, we are creating value for you, our shareholders.



Terence Hui

President & CEO



The Concord Development Model

Creating a Total Living Experience

The Concord Difference

Concord Pacific consistently sells out buildings prior to the completion of construction. It doesn't happen by accident. From the initial design of our communities and projects, to the way we convey our vision to prospective buyers, each step is part of a proven and strategic development model that has contributed to many years of success.

Communities People Want to Live In

Our approach begins with an understanding of what people are really buying. We have always understood that homebuyers are interested in more than just real estate. People want a total living experience—a home and community that provide a sense of well being and lasting satisfaction. Our master-planned communities provide such a place, with thought given to every aspect of daily life: parks, shopping, schools, fitness, recreation and more. We offer neighbourhoods where people want to live.

Diverse Choices

We do not try to be all things to all people. Instead, we use individual developments to create choice, targeting each one closely to the needs and desires of a select group of buyers. For example, within our new Beach Crescent Neighbourhood, the Waterford project is designed to appeal to affluent, mature buyers, while Azura I and II appeal to younger urban professionals. It's a strategy that helps us attract a larger portion of the home buying market to our neighbourhoods, while maintaining a very strong appeal for individual buyers.

Timing it Right

Understanding market forces and timing our market entries to take advantage of them is critical to our success. Last year when mortgage rates fell, we knew that first time buyers would be motivated to enter the market. We responded with products that met their needs and lifestyle aspirations, priced within the range they could afford.

The Power of Presentation

One of the key challenges of pre-sales is accurately conveying a product that does not yet exist. The key venues for our marketing activities are on-site, permanent sales and presentation centres which showcase not just our projects, but the attractions of the whole community. Two presentation centres in Vancouver and one at CityPlace in Toronto welcome visitors into the actual neighbourhood. High impact theatre presentations help convey the spirit of our communities and developments. Each presentation centre also features full scale display suite models, beautifully designed and complete in every detail. By the time prospective buyers leave, they know exactly what to expect, and are excited about becoming residents in the communities we are creating.

From Start to Finish

Concord's reputation for delivering high-quality products when promised is enhanced with the completion of each and every project in our developments. We start with world-class construction standards and finish with the highest level of customer service right through the initial purchase, construction, occupancy and warranty phases. Our goal is to exceed our customers' expectations every step of the way.

The Concord Development Model



Land Acquisition



Community Master Planning



Infrastructure and Amenities



Marketing



Construction



Customer Service

Report from Vancouver

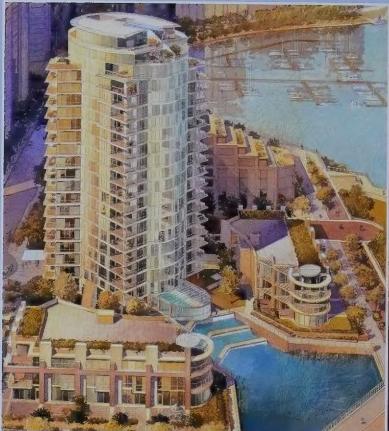
AUTUMN



Located on Vancouver's False Creek waterfront, Concord Pacific Place has emerged as Vancouver's most dynamic new urban neighbourhood. The \$3 billion, 204-acre development boasts three major parks, a community centre, a three kilometre seawall, two day care centres and a thriving retail scene. Approximately 3,500 of the development's 9,200 planned homes have now been completed or are under construction, along with office and retail space. Truly a community of the future, Concord Pacific Place is also Canada's first fully-wired fibre optic community.



THE CONCORD



AZURA



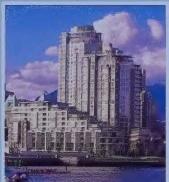
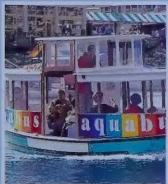
QUAYWEST



WESTONE



2001 Highlights



- ▶ During 2001, one of the two towers of QuayWest Resort Residences was completed, and families began to move in. The second tower was completed in the first quarter of 2002.
- ▶ Construction commenced on Quayside Marina, the first strata-titled marina project on B.C.'s West Coast. By year-end, 86% of the marina's 115 slips were pre-sold. Quayside Marina is scheduled to open in the second quarter of 2002.
- ▶ We began construction on The Concord, a 21-floor luxury tower. Featuring just four units per floor and private double garages, the 86-unit tower was 92% pre-sold by year-end. Construction is scheduled for completion in the first quarter of 2003.
- ▶ Construction commenced on WestONE, the first project in our new Beach Crescent Neighbourhood. At 38 storeys, WestONE is about to become the tallest purely residential building in Vancouver. By year-end, 98% of WestONE's 246 units were pre-sold, with construction scheduled for completion in the fourth quarter of 2002.
- ▶ Midway through 2001, we began marketing Waterford, our second project in the Beach Crescent Neighbourhood. The 28-storey luxury tower enjoyed a positive response from homebuyers with 95% of the 129 units pre-sold by year end. Construction is underway and scheduled for completion in the third quarter of 2003.
- ▶ Design conscious urban professionals welcomed the launch of Azura, our third project in the Beach Crescent Neighbourhood. The stylish 33-storey, 207-unit building was 95% pre-sold by the end of 2001.
- ▶ Following the rapid response to Azura, we launched Azura II, our fourth project in the Beach Crescent Neighbourhood. Within weeks, a waiting list of buyers had completed contracts for the sale of 189 of Azura II's 200 condominium units. Azura and Azura II are scheduled for completion during the fourth quarter of 2003.
- ▶ During 2001, we announced plans for our newest neighbourhood at Concord Pacific Place. Occupying a piece of land adjacent to GM Place and the Skytrain, the new neighbourhood will include a 147,000 square foot Costco retail store and four residential towers creating new homes for up to 1,000 families.

Report from Toronto

HARBOURVIEW



CityPlace is the largest residential development in the history of Toronto. The \$1.5 billion development project is strategically located next door to two world-famous landmarks: SkyDome and CN Tower in downtown Toronto. Over the next decade, this 45-acre waterfront site will be transformed into a vibrant, technologically-advanced community for approximately 12,000 residents. When completed, CityPlace will feature up to 20 residential towers set within an extensive parkland system of playing fields, walkways and trails. The community will also feature a fully-developed technology infrastructure able to deliver the most advanced digital services for residents.





2001 Highlights

- In 2001 we launched our fourth project at CityPlace, Harbour Vista Estates. Designed with resort-style comfort and amenities, it includes a 310,000 sq ft and 160+ units. Initially, Phase I features a 41-storey residential tower, and a seven-storey loft-style building. Phase II includes a 49-storey residential tower and townhouses. Response to the project has been excellent. Phase I was 95% pre-sold by year-end, and 57% of Phase II pre-sold within weeks of launching. The project is presently scheduled for completion in the second and third quarters of 2004, respectively.
- Construction commenced on the Matrix and Apex towers. Both projects are 100% sold out, with Matrix scheduled for completion in the second quarter of 2002, and Apex to follow in the third quarter.
- We began construction of Optima, CityPlace's distinctive nine-level hotel tower. By year-end, 98% of Optima's 404 residential units were pre-sold. Construction is scheduled for completion in the first quarter of 2003.

Apex



MATRIX



Management's Discussion & Analysis

of Financial Position and Results of Operations

OVERVIEW AND BUSINESS OF CONCORD PACIFIC GROUP INC.

Concord Pacific Group Inc. ("Concord" or the "Company") is a leading developer of urban, master-planned residential communities in Canada. Concord owns the development lands at and is currently building the emerging communities of Concord Pacific Place in Vancouver, British Columbia and CityPlace in Toronto, Ontario.

Concord Pacific Place is a major residential/commercial development located on the former Expo 86 lands on the north fore-shore of False Creek in Vancouver, British Columbia which, when completed, will comprise approximately 9,200 residential units and approximately 2.5 million square feet of retail and commercial space. CityPlace is a 44-acre development site in downtown Toronto, Ontario, on which 5.4 million square feet of residential and commercial space may be built. To December 31, 2001, approximately 3,500 residential condominium units were completed or under construction at Concord Pacific Place. At the same date, approximately 1,700 residential condominium units were under construction at CityPlace.

In 2001, Concord continued to market and develop sites at Concord Pacific Place in Vancouver and CityPlace in Toronto. At December 31, 2001, Concord's properties developed and held for sale, properties under development and land held for future development in Vancouver and Toronto consisted of the following:

Properties developed and held for sale

- ▶ Quaywest, a two-tower condominium and townhouse waterfront development in Vancouver, representing a total residential and commercial area comprising of 425,664 buildable square feet (394 residential condominium units). Construction of one of the two towers (171 residential condominium units and 12 office units) was completed in December 2001, and sales of 96 units closed.

Properties under development

- ▶ The second tower of Quaywest (223 residential condominium units) was completed in January 2002;
- ▶ Quayside Marina, The Concord, WestONE and Waterford in Vancouver comprising of a total residential area of 614,189

buildable square feet (461 residential condominium units) and 5,901 linear feet (115 freehold marina berths and 11 leasehold marina berths);

- ▶ Matrix, Apex and Optima in Toronto comprising of a total residential and retail area of 1,397,224 buildable square feet (1,683 residential condominium units).

Land held for future development

- ▶ Development lands in Vancouver with zoning in place to permit construction of 363,886 buildable square feet of residential and retail area;
- ▶ Development lands in Vancouver consisting of 4.6 million square feet of residential and commercial space. This land is owned by Pacific Place Holdings Ltd. ("PPHL");
- ▶ Development lands in Toronto permitting the development of 4.3 million square feet of residential and commercial space.

Prior to January 1, 2002, PPHL's financial position and results of operations have not been consolidated as a component of Concord's financial statements as the Company did not effectively control PPHL's operating, strategic, and investing policies, and had not assumed the financial risks of PPHL. Concord's investment in PPHL and PPHL's subsidiaries are recorded as an investment accounted for at cost in Concord's December 31, 2000 and 2001 balance sheets.

On January 1, 2002, the Company and PPHL completed an amalgamation pursuant to Section 185 of the Canada Corporations Act. The amalgamation was completed to simplify the Company's corporate structure and streamline the operations in Vancouver. In addition, the Company has acquired the financial risks and rewards of PPHL's assets, liabilities and operations. Consequently, PPHL will be consolidated with Concord from the effective date of the amalgamation commencing January 1, 2002. A condensed consolidated balance sheet of the Company as at January 1, 2002 is included in note 23 of the consolidated financial statements.

It is the practice of Concord to enter into contracts for the sale of a substantial proportion of the units in its developments before commencing construction. At December 31, 2001, a total of 3,884 residential condominium units were developed, under

Management's Discussion and Analysis of Financial Position and Results of Operations (continued)

construction or under development for construction, and contracts were signed for a total of 3,589 of these units, representing 92% of the total number of units under construction or development at December 31, 2001. Of these, 1,823 units are expected to be completed in 2002.

Development Activities – 2001

Concord Pacific Place

In 2001, marketing continued and construction commenced on Quayside Marina, the first strata-titled marina developed on the West Coast of British Columbia. The project consists of 5,421 linear feet of freehold marina berths (115 units) and 480 linear feet of leasehold marina berths (11 units). At December 31, 2001, contracts for sale of 99 of the 115 berths were signed. The project is scheduled for completion during the second quarter of 2002.

Construction also commenced during the first quarter of 2001 on The Concord, a 21-storey luxury waterfront tower. This development consists of 198,265 buildable square feet of residential area comprising 86 condominium units. At December 31, 2001, contracts for the sale of 79 condominium units in The Concord were signed. The construction of The Concord is presently scheduled for completion during the first quarter of 2003.

During the second quarter of 2001, construction commenced on WestONE, the first development in the new Beach Crescent Neighbourhood. WestONE is a 38-storey tower with 239,897 buildable square feet of residential area (246 condominium units). At December 31, 2001, contracts for the sale of 240 condominium units were signed. Construction of WestONE is presently scheduled for completion during the fourth quarter of 2002.

During the third quarter of 2001, the Company commenced marketing Azura, the third development in the Beach Crescent Neighbourhood. Azura will be a 33-storey tower with 3-storey townhouses. Plans for this development contain 195,842 buildable square feet of residential area (207 condominium units). At December 31, 2001, contracts for the sale of 197 condominium units (95%) were signed. Construction of Azura is presently scheduled for completion during the fourth quarter of 2003.

During the fourth quarter of 2001, construction commenced on Waterford, the second development in the Beach Crescent Neighbourhood. Waterford is a luxury 28-storey tower with 3-storey townhouses. This development contains 176,027 buildable

square feet of residential area (129 condominium units). At December 31, 2001, contracts for the sale of 123 condominium units were signed. Construction of Waterford is presently scheduled for completion during the third quarter of 2003.

Concord also completed the construction of one of the two towers at the QuayWest waterfront development in the fourth quarter of 2001. The second tower was completed in January 2002. Quaywest comprises 418,393 buildable square feet of residential area (394 residential condominium units and townhouses) and 7,271 buildable square feet of office space (12 office units). The residential condominium units and townhouses are 100% sold. In December of 2001, sales of 96 units were closed and the revenue from these contracts is reflected in the consolidated financial statements of the Company for the year ended December 31, 2001. The sale of the remaining 298 units in this development will complete in the first half of 2002.

In addition, the Company commenced marketing Azura II, the fourth development in the Beach Crescent Neighbourhood during the fourth quarter of 2001. Azura II will be a 33-storey tower with 3-storey townhouses. Plans for this development contain 190,670 buildable square feet of residential area (200 condominium units). At December 31, 2001, contracts for the sale of 189 condominium units (95%) were signed. Construction of Azura II is presently scheduled for completion during the fourth quarter of 2003.

CityPlace

During 2001, Concord continued the construction of Matrix, the first CityPlace development. Matrix consists of two residential towers on a common podium. In total, Matrix contains 507,998 buildable square feet of residential area (642 condominium units) and 18,471 buildable square feet of retail space. As at December 31, 2001, contracts for the sale of all 642 residential units were signed. Construction is presently scheduled for completion during the second quarter of 2002.

Construction also continued on Apex, a twin-tower development totalling 500,686 buildable square feet of residential area (637 condominium units) and 5,198 buildable square feet of retail space. At December 31, 2001, contracts for the sale of all 637 residential units were signed. Construction of Apex is presently scheduled for completion during the third quarter of 2002.

Construction also commenced on Optima, a single tower comprising 363,564 buildable square feet of residential area (404 condominium units) together with 1,307 buildable square feet of retail space. At December 31, 2001, contracts for the sale of 397 of condominium units (98%) were signed. Completion is expected to occur during the first quarter of 2003.

During 2001, the Company commenced marketing Harbour View Estates. This is a phased development with the first phase consisting of a 40-storey residential tower and a seven-storey loft style building with a total of 414,767 buildable square feet of residential area (519 condominium units) and 8,431 buildable square feet of commercial space. At December 31, 2001, contracts for sale of 492 (95%) of these condominium units were signed. Completion is expected to occur during the second quarter of 2004. The second phase consists of a 49-storey residential tower and townhouses comprising of 430,048 buildable square feet of residential area (516 condominium units). At December 31, 2001, contracts for the sale of 295 (57%) of the Phase II condominium units were signed.

Completion is presently scheduled for the third quarter of 2004.

Results of Operations

Revenue from sale of properties in 2001 of \$33.2 million comprised of \$27.9 million from the sale of 96 condominium units in the Quaywest project, \$3.8 million from the sale of the last eleven residential units in MarinaSide and \$1.5 million from sale of the last residential unit and five retail units in Aquarius.

Revenue from sale of properties in 2000 of \$102.1 million included \$93.5 million from the sale of 351 condominium units in MarinaSide and \$8.6 million from the sale of thirteen residential and two retail units at Aquarius.

Net earnings for 2001 of \$3.1 million (\$0.09 per share) after income taxes compare to \$6.2 million (\$0.19 per share) in 2000.

In 2000, Concord adopted the liability method of accounting for income taxes in accordance with the Canadian Institute of Chartered Accountants' standard. Accordingly, the Company adjusted its opening retained earnings by \$9.3 million in the first quarter of 2000 to recognize the future income tax benefit of the Company's available non-capital tax losses. During the last two quarters of 2000, Concord recorded future income tax expense of \$5.7 million when a portion of the future income tax asset of \$9.3 million recorded during the first quarter was drawn down.

Concord recorded rental revenues of \$0.7 million (2000 - \$0.7 million) from leases of retail space at Concord Pacific Place. The retail space at Concord Pacific Place is held for sale; however, prior to concluding a sale, completed retail space may be leased to third parties.

Property operating costs and taxes on retail properties held for sale for 2001 were \$0.6 million (2000 - \$0.8 million).

Operating, administrative and office costs for 2001 were higher than those for 2000 as a result of increased development activities during the year. Consistent with prior years, the majority of these costs are capitalized to properties under development.

CityPlace had limited impact on the Company's results of operations in 2001 and 2000 because the initial developments are still under construction and the majority of the development costs are capitalized to the properties. Sales of residential units in the first CityPlace development, Matrix, are expected to be included in Concord's financial statements in the second quarter of 2002 when construction is scheduled to complete and the sales close.

Financial Position and Asset Base

Shareholders' equity at December 31, 2001 was \$114.6 million (2000 - \$111.4 million), or \$3.44 per share computed based on shares issued and outstanding, before dilution of outstanding warrants and options (2000 - \$3.34).

Properties of \$402.0 million (2000 - \$206.9 million) included properties developed and held for sale of \$27.7 million (2000 - \$14.3 million), properties under development of \$309.9 million (2000 - \$133.1 million), and land held for future development of \$64.4 million (2000 - \$59.5 million). Of this amount, \$160.4 million (2000 -\$77.5 million) is in respect of land located in Vancouver and \$241.6 million (2000 - \$129.4 million) is in respect of land located in Toronto. The land held for future development includes \$7.3 million (2000 - \$7.3 million) of development lands in Vancouver and \$57.1 million (2000 - \$52.2 million) of development lands in Toronto.

The note payable of \$12.7 million plus accrued interest of \$1.1 million at December 31, 2000 represented the amount owing to the vendors of the interests in CityPlace and Concord Pacific Place acquired by Concord in October 1999. The note, including accrued interest at prime plus 1% totalling \$14.7 million, was repaid in December, 2001.

Management's Discussion and Analysis of Financial Position and Results of Operations (continued)

Investments of \$5.0 million (2000 - \$10.0 million) include the investment in PPHL and the options for Concord Pacific Place development land. The decrease in the investment balance from December 31, 2000 to December 31, 2001 was a result of CPGI exercising its option to acquire land for the WestONE and Waterford developments from PPHL.

Liabilities on properties at December 31, 2001 were \$218.5 million (2000 - \$93.7 million). \$21.9 million (2000 - \$20.9 million) of this amount was bank indebtedness utilized to pay construction costs incurred prior to the Company drawing on construction loans arranged to finance the development. \$39.7 million (2000 - \$36.9 million) of this amount represents the loan on the CityPlace development lands. The balance of this amount represents advances on construction loans to finance the construction of the developments at Concord Pacific Place and CityPlace.

Liquidity and Capital Resources

In undertaking the development of residential condominiums, Concord seeks to minimize the Company's sales risk by marketing condominium units to third party purchasers prior to the commencement of construction. With the achievement of a sufficient level of pre-sales, it has been possible to obtain construction financing to fund the costs of construction and other improvements to the Concord Pacific Place and CityPlace development lands. Accordingly, Concord's equity investment is typically limited to the value of the land under development. Concord has commitments in place to fund the projected costs of the ten residential projects presently under construction (Quayside Marina, QuayWest, The Concord, WestONE, Waterford, Matrix, Apex, Optima and Harbour View Estates I and II). These facilities incur interest at floating interest rates and are to be repaid on completion of the sales of the condominiums under construction.

For 2001, cash flows generated from contracts closing on properties held for sale, deposits from the pre-sale of condominium units in Toronto and bank loans were utilized to fund Concord's business activities. In order to minimize construction financing costs in Toronto, the Company arranged to draw on deposits from the pre-sale of condominium units, as permitted under Ontario legislation.

Shareholders' equity as at December 31, 2001 was \$114.6 million (2000 - \$111.4 million). The combination of this level of shareholders' equity, the existing level of pre-sales and expected

closings of Quaywest, Quayside Marina, WestOne, Matrix and Apex during 2002, should provide Concord with adequate capital resources and liquidity to fund its operations at its planned level of activity for the foreseeable future.

Risks and Uncertainties

Concord develops residential condominiums in Vancouver and Toronto. As such, it is faced with the business risks inherent in the real estate development industry including changes in the demand for housing and competition from other residential developments. One of the methods Concord uses to reduce its exposure to risk is to market and sell the condominium units in advance of commencing construction.

In response to the market conditions of the real estate development industry in British Columbia, Concord has marketed some of its developments (eg. QuayWest) by offering purchasers mortgage financing at below market interest rates and/or lease-back arrangements for up to three years. Although these features proved to be very successful in attracting purchasers, the cost of these programs is expected to reduce the profit margin for QuayWest in comparison with other developments under construction where this marketing program was not employed. The financial impact will be reflected in Concord's statement of earnings during 2002, when revenue for this development is expected to be recognized.

Liability for the cost to Concord under the mortgage interest rate buy-down program is determined with respect to the lowest level of interest rates that exist between the date that the contract is signed to sell the unit and the closing date (approximately an 18 to 24 month period). With respect to existing pre-sales contracts, the maximum cost is fixed and actual costs may be lower if interest rates are lower at any time at or prior to completion.

Under the lease-back program Concord will have a liability if a material reduction in the market level of rents for this type of property occurs. Concord believes that the rates offered to purchasers under the lease-back program were at or below market levels as they existed at the time the lease-back arrangements were made, and consequently a contingent obligation has not been accrued in the consolidated financial statements for 2000 or 2001.

As an owner of real property, Concord is subject to various laws relating to environmental matters. Such laws provide that Concord could be liable for the costs of removal and remediation of certain

hazardous substances or waste released or deposited on or in its properties or disposed of at other locations.

A significant portion of the Concord Pacific Place lands is comprised of fill from various sources. Over the past 100 years these lands have hosted numerous and varied industrial and commercial activities. These activities, as well as the nature of the fill used to create much of the site, resulted in soils at the site which are contaminated under current provincial standards.

Prior to Concord's acquisition of a significant portion of Concord Pacific Place in 1997, PPHL entered into an agreement with the Province of British Columbia (the "Soils Agreement") in which the Province agreed, at its expense, to carry out remediation required in relation to proposed uses within the site and in respect of contamination existing on the site as of May 11, 1988. The benefits and obligations of the Soils Agreement were transferred to Concord as part of the 1997 acquisition which represented the commencement of Concord's operations. Concord assumed all indemnities granted to the City of Vancouver pursuant to the Soils Agreement. Under the Waste Management Amendment Act, 1993, Concord and all other past and future owners or operators of lands in British Columbia are potentially liable for the cost of remediation of contaminated soils regardless of whether they caused the contamination.

Initial tests performed indicate that the CityPlace lands contain hazardous substances that exceed allowable levels. Under the terms of the CityPlace Agreement, the costs of soil remediation will be shared between Concord and Canada Lands Company CLC Limited ("CLC"), subject to a maximum amount beyond which CLC is not required to contribute. If the maximum liability is reached, Concord may either pay the costs or return the unremediated land to CLC.

Outlook

In Vancouver, housing demand has been very strong and response to the Azura and Azura II marketing campaigns has been positive. The developments are 95% pre-sold at December 31, 2001. In Toronto, housing demand has remained steady during 2001. The grand opening of Harbour View Estates was favourably received. The development is 75% pre-sold at December 31, 2001.

In the first quarter of 2002, the Company commenced marketing Park West and Two Park West in Vancouver, the fifth and the sixth developments presently planned in the Beach Crescent

Neighbourhood. Park West is a 29-storey tower consisting of a total of 184,916 buildable square feet of residential area (161 condominium units). Two Park West is a 29-storey tower consisting of a total of 180,847 buildable square feet of residential area (158 condominium units). These developments are presently scheduled for completion in late 2004.

Revenue of the Company is derived from sales of residential units constructed on its development lands, and is recognized at the time title to the unit transfers to the purchaser and they are entitled to occupancy. The majority of units in QuayWest were completed in January 2002. WestOne and Quayside Marina at Concord Pacific Place, and Matrix and Apex at CityPlace are expected to be completed in 2002.

The tragic events of September 11th have had little impact on the Company's 2001 operations. At present, low interest rates are providing a catalyst for demand of residential real estate. The market in Vancouver is buoyant and the demand is outpacing supply. Interest rates are not expected to increase materially in the near term. As a result, the Company expects that the demand for well located, quality, residential developments will continue. Based upon the positive response by purchasers to the developments marketed in the last quarter of 2001 and the first quarter of 2002, Concord anticipates that high levels of pre-sales will continue for new developments at Concord Pacific Place and CityPlace.

Management's Responsibility

The accompanying consolidated financial statements of Concord Pacific Group Inc. included in this Annual Report have been prepared by the management of the Company in accordance with generally accepted accounting principles in Canada appropriate for the real estate industry.

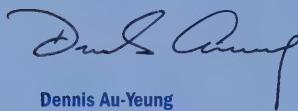
Management maintains a system of internal accounting controls to provide reasonable assurance that the Company's assets are safeguarded and to facilitate the preparation of relevant, reliable and timely financial information. Where necessary, management uses judgement in making estimates required to ensure fair and consistent presentation of this information and in selecting appropriate accounting policies.

PricewaterhouseCoopers LLP, the independent auditors appointed by the shareholders, have examined the consolidated financial statements. An Audit and Corporate Governance Committee appointed by the Board of Directors of the Company has reviewed these statements with management and PricewaterhouseCoopers LLP; and has reported to the Board. The Board has approved the consolidated financial statements.

All other financial and operating data included in the Annual Report are consistent, where appropriate, with information contained in the consolidated financial statements.



Terence Hui,
President and Chief Executive Officer
March 25, 2002



Dennis Au-Yeung
Vice-President, Finance
March 25, 2002

Auditors' Report

To the Shareholders of Concord Pacific Group Inc.

We have audited the consolidated balance sheets of Concord Pacific Group Inc. as at December 31, 2001 and 2000 and the consolidated statements of earnings, deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2001 and 2000 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Vancouver, B.C., Canada
February 22, 2002

Consolidated Balance Sheets

As at December 31, 2001 and 2000 (in thousands of Canadian dollars)

	2001	2000
Assets		
Properties (note 3)	\$ 401,961	\$ 206,957
Property, plant and equipment (note 4)	4,128	4,469
Investments (notes 5 and 6)	5,052	9,991
Future income taxes recoverable (note 13)	1,694	3,601
Cash and cash equivalents	755	17,690
Other assets (note 7)	3,242	2,519
Due from Pacific Place Holdings Ltd. (note 8)	10,446	7,810
	\$ 427,278	\$ 253,037
Liabilities		
Liabilities on properties (note 9)	\$ 218,484	\$ 93,689
Accounts payable and accrued liabilities (note 10)	40,884	22,146
Income and large corporation taxes payable (note 13)	1,424	104
Sales deposits (note 11)	51,931	12,991
Note payable (note 12)	-	12,700
	312,723	141,630
Shareholders' Equity		
Capital stock (note 14)	117,744	117,744
Share warrants (note 14)	613	613
Deficit	(3,802)	(6,950)
	114,555	111,407
	\$ 427,278	\$ 253,037

Commitments (note 16)

Contingencies (note 17)

Subsequent event (note 23)

Approved by the Board of Directors

D. McLean, Director

T. Hui, Director

Consolidated Statements of Earnings

For the years ended December 31, 2001 and 2000 (in thousands of Canadian dollars, except per share amounts)

	2001	2000
Revenue from sale of properties	\$ 33,193	\$ 102,138
Cost of properties sold	25,120	89,216
Gross profit from property sales	<u>8,073</u>	<u>12,922</u>
 Expenses		
Administrative and office	2,413	1,803
Amortization	31	47
Operating costs and taxes on retail properties held for sale	604	780
	<u>3,048</u>	<u>2,630</u>
 Earnings from operations	5,025	10,292
 Other income		
Interest (note 18)	379	1,297
Other income (note 19)	1,678	707
Earnings before income taxes	<u>7,082</u>	<u>12,296</u>
 Provision for income taxes (notes 2 and 13)		
Current	2,027	430
Future	1,907	5,681
	<u>3,934</u>	<u>6,111</u>
Net earnings for the year	<u>\$ 3,148</u>	<u>\$ 6,185</u>
Basic and diluted earnings per share (notes 2 and 15)	<u>\$ 0.09</u>	<u>\$ 0.19</u>

Consolidated Statements of Deficit

For the years ended December 31, 2001 and 2000 (in thousands of Canadian dollars)

	2001	2000
Deficit - Beginning of year	\$ (6,950)	\$ (22,417)
Adjustment of deficit to adopt the liability method of accounting for future income taxes (note 2)	-	9,282
Net earnings for the year	<u>3,148</u>	<u>6,185</u>
Deficit - End of year	<u>\$ (3,802)</u>	<u>\$ (6,950)</u>

Consolidated Statements of Cash Flows

For the years ended December 31, 2001 and 2000 (in thousands of Canadian dollars)

	2001	2000
Cash flows from operating activities		
Net earnings for the year (note 2)	\$ 3,148	\$ 6,185
Items not affecting cash		
Amortization	31	47
Future income taxes	1,907	5,681
Expenditures on properties	(213,312)	(109,916)
Cost of properties sold	25,120	89,216
Change in other non-cash operating balances	58,275	26,824
	(124,831)	18,037
Cash flows from financing activities		
Advances from construction loans and operating facilities	121,937	42,452
Repayment of construction loans and operating facilities	-	(30,115)
Repayment of note payable	(12,700)	-
Repayment of other financing on land held for future development	(2,550)	-
	106,687	12,337
Cash flows from investing activities		
Net investment in land options	4,939	(3,130)
Purchase of property, plant and equipment	(1,094)	(919)
Net advances to Pacific Place Holdings Ltd.	(2,636)	(8,587)
Cost of Crestmark acquisition	-	(48)
	1,209	(12,684)
(Decrease) increase in cash and cash equivalents	(16,935)	17,690
Cash and cash equivalents – Beginning of year	17,690	-
Cash and cash equivalents – End of year	\$ 755	\$ 17,690
Represented by:		
Cash	\$ 755	\$ 1,213
Cash equivalents	-	16,477
	\$ 755	\$ 17,690
Supplemental non-cash financing and investing activities		
Acquisition of properties	\$ (7,778)	\$ -
Other financing on land held for future development	\$ 7,778	\$ -
Disposition of property	\$ 4,041	\$ -
Repayment of other financing on land held for future development	\$ (4,041)	\$ -
Interest on other financing on land held for future development	\$ 1,671	\$ 2,545
Interest capitalized to properties	\$ (1,671)	\$ (2,545)
Supplemental disclosure of cash payments		
Interest paid	\$ 5,909	\$ 5,765
Taxes paid	\$ 602	\$ 327

Notes to Consolidated Financial Statements

December 31, 2001 and 2000 (in thousands of Canadian dollars, except per share amounts)

1. Nature of operations

Concord Pacific Group Inc. (Concord or the Company) was incorporated on March 14, 1997 and was continued as a corporation under the Canada Business Corporations Act on June 17, 1998. The Company's principal business is the development of high rise residential and mixed use real estate in Vancouver and Toronto, Canada.

Concord Pacific Place

On July 22, 1997, the Company purchased a number of residential real estate development projects (the Projects), land held for future development, and options to acquire undeveloped land (land options) which form a part of the Concord Pacific Place development site in Vancouver, British Columbia, from Pacific Place Holdings Ltd. (PPHL).

On October 29, 1999, the Company completed the acquisition of all of the issued and outstanding shares of PPHL and all of the partnership interests in The Crestmark Developments Limited Partnership (Crestmark) not owned by PPHL.

CityPlace

In 1997, the Company's former parent company transferred its ownership of 100% of the shares of CC Acquisition Corp. (CCAC) (formerly Concord CityPlace Acquisition Corp.) to the Company for consideration consisting of one common share of the Company and a note payable. CCAC then acquired undeveloped residential property known as the CityPlace lands located in Toronto, Canada from Canada Lands Company CLC Limited (CLC). Subsequently, CCAC entered into a limited partnership agreement to form the Concord Adex Limited Partnership with a company owned by members of the family of an officer and director of the Company to develop the CityPlace lands (*note 12*). On October 29, 1999, the Company completed the acquisition of the 50% interest in the CityPlace lands not owned by CCAC for a purchase price of \$19,700 (*note 5*). As part of this transaction, the limited partnership was dissolved.

2. Summary of significant accounting policies

General

The Company's accounting policies and standards of financial statement disclosure are in accordance with the recommendations of the Canadian Institute of Chartered Accountants (CICA) and are substantially in accordance with the recommendations of the Canadian Institute of Public and Private Real Estate Companies.

Principles of consolidation

These consolidated financial statements include the accounts of the Company, and its wholly owned subsidiaries, CCAC, Concord Adex Developments Corp., Picton Development Limited, Eastmark Property Limited and Beachside Property Limited.

The Company accounts for its investment in its wholly owned subsidiary, PPHL, on a cost basis (*note 5*).

Properties

Properties developed and held for sale, properties under development, and land held for future development are carried at the lower of cost and their estimated net realizable value.

Cost includes all expenditures incurred in connection with the acquisition, development, and construction of these properties. These expenditures consist of all direct costs; interest on debt incurred to finance the acquisition, development and construction; and general and administrative expenses that are attributable to the properties. Incidental revenue relating specifically to such properties earned during the holding, development, and construction phases is treated as a reduction in cost.

The Company provides for losses where the carrying value of the particular property exceeds its estimated net realizable value.

Management's estimates of the net realizable value of its properties are based on the best available information at the time of assessment. Costs are inherently subject to fluctuation and unforeseen costs or expenses could be incurred in the holding, development, and construction processes. The costs associated with the Company's projects could be significantly increased by events outside the Company's control, including increases in interest rates and increases in development and construction costs. The Company's anticipated revenues from its properties are based on the sale of an estimated number of units for each project at estimated prices that are subject to market forces. There can be no assurance that the various assumptions will be realized or that the properties will not be adversely affected by unforeseen economic factors, resulting in a diminution in the anticipated value of the Company's projects.

Notes to Consolidated Financial Statements December 31, 2001 and 2000

(in thousands of Canadian dollars, except per share amounts)

2. Summary of significant accounting policies (cont'd)

Warranty liability

The Company has outstanding warranty obligations on all of its development projects. These obligations cover any major construction defects for 10 years after possession by the purchaser and any minor defects for five years after possession by the purchaser. The amount of the future liability has been estimated by management based on experience and has been recorded in accounts payable and accrued liabilities. The estimation of future warranty costs requires that management make certain assumptions. Actual warranty costs could differ from these estimates.

Revenue recognition

Revenue from the sale of condominium units is recorded when title transfers to the purchaser, they are entitled to occupancy, and collection of the sale proceeds is reasonably assured.

The Company may provide sales incentives such as rental guarantees and favourable interest financing to its customers. The cost of these sales incentives is recorded as a reduction of the related sales revenue.

Cost of sales

Cost of sales of condominium projects is determined using the net yield method whereby the cost of sales for the period is a pro-rated amount of total estimated costs for the project based on sales for the period versus projected sales for the entire project.

Property, plant and equipment

Property, plant and equipment are recorded at cost. Amortization is provided at the following annual rates and methods:

Marketing centres	five years straight-line
Other	
Furniture and office equipment	20% declining balance
Computer equipment	30% declining balance
Automobiles	30% declining balance
Leasehold improvements	straight line over the term of the lease

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit with banks and highly liquid short-term interest-bearing securities with maturities at their purchase date of three months or less.

Income taxes

On January 1, 2000, the Company retroactively adopted, without restatement, the liability method of accounting for income taxes in accordance with the CICA's new income tax standard. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are recognized in the current period for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes. Future income tax assets and liabilities are measured using substantively enacted tax rates and laws expected to apply in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on future income tax assets and liabilities is recognized in operations in the period that includes the substantive enactment date. Future tax assets are recognized to the extent it is more likely than not that future income tax assets will be realized.

The cumulative effect of adopting the new standard at January 1, 2000 was to decrease the deficit and record a future tax asset in the amount of \$9,282. During 2000, \$5,681 of the future income tax asset was used to reduce current income taxes payable and recorded as future tax expense.

Stock options

The Company has granted stock options to certain directors and employees (note 14). No compensation expense is recognized when stock or stock options are issued. Consideration paid for stock on the exercise of stock options is credited to capital stock.

Earnings per share

During the year ended December 31, 2001, the Company retroactively adopted the new recommendations of the CICA related to the calculation, presentation, and disclosure of earnings per share. Under these recommendations, the treasury stock method is used to calculate diluted earnings per share and assumes that the proceeds from "in the money" dilutive instruments is used to purchase common shares at the average market price during the period. Previously, the Company applied the imputed earnings method to determine the dilutive effect of dilutive instruments whereby additional earnings were imputed based on the proceeds resulting from the exercise of the dilutive instruments. This change in computing diluted earnings per share resulted in restating the diluted earnings per share for the year ended December 31, 2000 from \$0.17 per share to \$0.19 per share.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the balance sheet dates, and revenues and expenses for the years then ended. Actual results could differ from those estimates.

3. Properties

	2001	2000
	\$	\$
Properties developed and held for sale	27,657	14,342
Properties under development	309,915	133,148
Land held for future development	64,389	59,467
	401,961	206,957

During the year, the Company capitalized the following charges to properties held for sale, under development, and land held for future development:

	2001	2000
	\$	\$
Direct costs	197,766	88,676
Interest (<i>note 18</i>)	9,911	9,365
General and administrative expenses	10,254	10,513
Property taxes	2,194	4,892
	220,125	113,446

4. Property, plant and equipment

			2001
	Cost	Accumulated amortization	Net
	\$	\$	\$
Marketing centres	7,518	4,083	3,435
Other	1,397	704	693
	8,915	4,787	4,128

			2000
	Cost	Accumulated amortization	Net
	\$	\$	\$
Marketing centres	6,734	2,837	3,897
Other	1,087	515	572
	7,821	3,352	4,469

5. Investments

	2001	2000
	\$	\$
Investment in Crestmark	4,248	4,248
Investment in PPHL (including land options (<i>note 6</i>))	804	5,743
	5,052	9,991

Acquisition

On October 29, 1999, the Company completed the acquisition of 100% of the outstanding shares of PPHL (related to the Company through common management), the minority interest in Crestmark (PPHL holds the majority interest), and the 50% interest in the CityPlace lands (*note 1*) not already owned by the Company for total consideration of \$19,700 (\$7,000 in cash, and a \$12,700 promissory note). The acquisition was accounted for using the purchase method. The purchase price was allocated as follows:

11.53% interest in Crestmark	\$ 4,200
100% of the outstanding shares of PPHL (<i>note 23</i>)	-
CityPlace property under development and land held for future development (<i>note 1</i>)	15,500
Total consideration	19,700

Notes to Consolidated Financial Statements December 31, 2001 and 2000

(in thousands of Canadian dollars, except per share amounts)

5. Investments (cont'd)**Non-consolidation of PPHL**

Although the Company owns 100% of the outstanding shares of PPHL and the Company has the right to elect PPHL's board of directors, the Company has concluded that PPHL is not a subsidiary for accounting purposes and therefore should not be consolidated for the following reasons:

- The Company does not effectively control PPHL as it does not have the power to define its strategic operating, investing and financing policies without the concurrence of PPHL's creditors.
- The Company did not assume the financial risks related to PPHL's bank financing, nor does the Company share in the financial rewards of PPHL's income until the existing bank financing is fully repaid.

On January 1, 2002, PPHL and the Company were amalgamated (*note 23*).

As at September 30, 2001 (PPHL's fiscal year end), PPHL's consolidated balance sheet and statement of earnings and deficit (which include the assets, liabilities, and results of operations of Crestmark) are as follows (as disclosed in its audited financial statements):

Consolidated Balance Sheet

	September 30, 2001	September 30, 2000
	\$	\$
Assets		
Properties	85,725	84,765
Property, plant and equipment	188	266
Cash and cash equivalents	1,744	1,680
Cash held in trust	295	302
Other assets	247	1,366
	88,199	88,379
Liabilities		
Bank debt	75,875	84,657
Advances from Concord	13,607	7,545
Advances received	555	1,405
Deposit on sales	11,063	11,063
Accounts payable and accrued liabilities	11,964	13,625
Minority interest	4,021	3,276
	117,085	121,571
Shareholder's Deficiency		
Capital stock	1	1
Deficit	(28,887)	(33,193)
	(28,886)	(33,192)
	88,199	88,379

Consolidated Statement of Earnings and Deficit

	Year ended September 30, 2001	Nine month period ended September 30, 2000
Revenue from sale of properties*	\$ 19,477	\$ 96
Cost of properties sold	11,520	292
Gross profit (loss) from property sales	7,957	(196)
 Expenses		
Amortization	96	95
General and administrative	1,114	567
Interest and financing	1,300	1,039
	2,510	1,701
Earnings (loss) from operations	5,447	(1,897)
 Other income		
Interest	100	106
Other income	300	180
Earnings (loss) before income taxes and minority interest	5,847	(1,611)
Provision for current income taxes	114	119
Earnings (loss) before minority interest	5,733	(1,730)
Minority interest	(1,427)	(86)
Net earnings (loss) for the period	4,306	(1,816)
Deficit - Beginning of period	(33,193)	(31,377)
Deficit - End of period	(28,887)	(33,193)

* \$10,458 (2000 - \$96) of revenue resulted from sales to Concord.

6. Land options

On July 21, 1997, the Company entered into three Land Option Agreements with PPHL that granted Concord options to acquire certain remaining undeveloped residential land (the "Option Lands") on the Concord Pacific Place Development site from PPHL.

- a) The First Option Agreement granted Concord the right to acquire certain properties for consideration of approximately \$56,300 within a three-year period commencing January 1, 1999. On March 5, 2001, the Company agreed with PPHL to amend the First Option Agreement such that Concord has the right to acquire the applicable properties at their appraised value within a ten-year period commencing on January 1, 1999. The appraised value of each particular property will be determined by a third party appraiser after the date Concord notifies PPHL that it intends to exercise its option to purchase the particular property. No extension fees are applicable to this ten-year option.
- b) The Second Option Agreement granted Concord the right to acquire certain properties (excluding those described in (a) above) for consideration of approximately \$53,900 within a three-year period commencing January 1, 2002.
- c) The Third Option Agreement granted Concord the right to acquire certain properties (excluding those described in (a) and (b) above) for consideration of approximately \$33,000 within a three-year period commencing January 1, 2005.

Each of the Land Option Agreements may be extended by one year at Concord's request subject to specified extension fees.

The options have been written down to their estimated fair value, which equals the value of the infrastructure costs incurred by the Company that are refundable by PPHL specified under an infrastructure development and funding agreement (IDFA) between the Company and PPHL entered into in 1997 and comprise the following:

	2001	2000
	\$	\$
Infrastructure development and funding agreement costs		
(IDFA) capitalized (note 16) – Beginning of year	5,743	2,613
IDFA costs capitalized during the year	1,567	3,130
IDFA costs transferred during the year for purchased properties	(6,506)	–
Land options classified as part of investments – End of year (note 5)	804	5,743

Notes to Consolidated Financial Statements December 31, 2001 and 2000

(in thousands of Canadian dollars, except per share amounts)

7. Other assets

	2001	2000
	\$	\$
Amounts receivable	2,694	1,944
Prepaid expenses	548	575
	3,242	2,519

8. Due from Pacific Place Holdings Ltd.

The amount due from PPHL is unsecured, non-interest bearing, and due on demand.

9. Liabilities on properties

	2001	2000
	\$	\$
Bank debt		
Construction loans	156,937	35,944
Operating facilities	21,880	20,936
	178,817	56,880
Other financing on land held for future development	39,667	36,809
	218,484	93,689

Bank debt

Construction loans

The Company has bank facilities for the purpose of financing the construction of properties under development up to a maximum principal amount of \$494,641 (2000 - \$245,100). At December 31, 2001, certain loans bear interest at fixed rates ranging from 3.61% to 3.92% (2000 - 5.88% to 6.05%) per annum, while others bear interest at variable annual rates ranging from prime plus 0.25% to prime plus 0.50% (2000 - prime plus 0.375% to prime plus 0.50%). The weighted average interest rate on these loans for the year ended December 31, 2001 was 5.71% (2000 - 7.57%).

The construction loans drawn at December 31, 2001 and 2000 and the maturity dates of these loans are as follows:

Development	Maturity date	2001	2000
		\$	\$
Concord Pacific Place			
QuayWest	June 30, 2002	43,666	21,784
WestOne	March 31, 2003	24,703	-
The Concord	July 31, 2003	15,529	-
Quayside Marina	June 1, 2004	3,829	-
		87,727	21,784
CityPlace			
Matrix	April 30, 2002	47,828	7,206
Apex	October 31, 2002	14,418	6,954
Optima	March 31, 2003	6,964	-
		69,210	14,160
		156,937	35,944

Operating facilities

The maximum amount of the Company's bank operating credit facilities is \$35,592 (2000 - \$42,000). \$25,000 of the credit facilities bears interest at the prime rate plus 0.375% per annum and the balance bears interest at the prime rate plus 0.25% per annum.

Demand collateral mortgages and debentures aggregating a minimum of \$452,717, assignments of leases and rents creating first charges over the properties under development, general security agreements over all present and after-acquired personal property affixed to properties under development, warranties and indemnities in respect of environmental risks regarding the CityPlace lands (*note 17*), general assignments of project plans, related contracts, purchase and sale agreements, and liability and builders' all risk insurance, postponement of CLC's mortgage (see next page), and a guarantee provided by the Company are provided as security for the construction loans and operating facilities.

The Company has also provided letters of credit or guarantees for the following:

- ▶ a total of \$2,805 (2000 - \$1,621) to the City of Vancouver for obligations relating to the construction of infrastructure at Concord Pacific Place;
- ▶ \$54,360 (2000 - \$33,540) to the Ontario New Home Warranty Program as a part of the Ontario statutory requirements to provide such guarantees for the protection of residential purchasers;
- ▶ \$nil (2000 - \$398) to London Guarantee Insurance Company for obligations relating to the golf course at CityPlace;
- ▶ \$64 (2000 - \$64) to a utilities company for the CityPlace operations; and
- ▶ \$291 (2000 - \$nil) to The City of Toronto for development permits.

Other financing on land held for future development

Under the agreement to acquire the CityPlace lands (*note 1*), the Company received title to residential development lands but was not obliged to make payments until the period from 2001 through 2012. The outstanding obligation bears interest at 8% per annum commencing two years before the particular payment due date. Accordingly, the obligation is considered to be at non-market rates and has been discounted at 8% to arrive at the value reported in these consolidated financial statements.

During the year ended December 31, 2001, the Company purchased additional lands from CLC for consideration of \$1,512 cash (2000 - \$nil) and debt of \$7,778 (2000 - \$nil), for a total of \$9,290 (2000 - \$nil). The Company also disposed of land to CLC for \$4,724 (2000 - \$nil) which was settled for cash of \$683 (2000 - \$nil) and an assumption of debt by CLC aggregating \$4,041.

The obligation is repayable as follows:

	2001	2000
	\$	\$
December 31		
2001	-	2,390
2002	5,100	4,780
2003	5,100	4,780
2004	4,846	4,540
Thereafter	41,826	39,189
Total obligation	56,872	55,679
Less: Present value discount	17,205	18,870
	39,667	36,809

During the year ended December 31, 2001, the Company repaid principal of \$2,550 (2000 - \$nil) and interest of \$598 (2000 - \$195) to CLC.

A mortgage in the principal amount of \$80,000 over the CityPlace lands, postponed to various construction loans, a floating charge over the assets of CCAC, and an unlimited guarantee provided by the Company, creating certain restrictions on the repayment of shareholder loans, redemption of share capital and payment of dividends are provided as security.

10. Accounts payable and accrued liabilities

	2001	2000
	\$	\$
Trade accounts payable and accrued liabilities	39,699	19,970
Warranty liability	1,185	1,121
Accrued interest on note payable (<i>note 12</i>)	-	1,055
	40,884	22,146

11. Sales deposits (cash held in trust)

	2001	2000
	\$	\$
Sales deposits received from purchasers	84,220	74,855
Deduct: Cash held in trust	32,289	61,864
Sale deposits used to fund development activities	51,931	12,991

During the year, purchasers' deposits received on projects undertaken in Ontario were drawn to fund development activities as permitted by Ontario legislation.

Notes to Consolidated Financial Statements December 31, 2001 and 2000

(in thousands of Canadian dollars, except per share amounts)

12. Note payable

The note payable is due to the vendors of PPHL, Crestmark, and the CityPlace lands for the acquisition (*note 5*). The balance accrues interest commencing on January 27, 2000 at prime plus 1% per annum (*note 10*). The principal and accrued interest were repaid during 2001.

13. Income taxes

	2001	2000
	\$	\$
Earnings before income taxes	7,082	12,296
Income tax based on statutory rate of 44.62% (2000 - 45.62%)	3,160	5,609
Increase (decrease) resulting from		
Non-deductible expenses	222	607
Large corporations tax	856	430
Reduction in income tax rate on future tax assets	244	-
Differences in book and tax basis of deductible expenses	(548)	(535)
Income tax provision	3,934	6,111

The Company has the following non-capital losses carried forward for accounting purposes. Losses for tax purposes expire as follows:

	\$
2004	27
2005	-
2006	84
2007	220
2008	300
	631

Future income taxes are provided for temporary differences. Future tax assets and liabilities comprise the following:

	2001	2000
	\$	\$
Future income tax assets		
Operating losses carried forward	246	2,886
Tax values of property, plant and equipment in excess of accounting values	1,421	1,238
Provisions and other temporary differences	1,343	642
	3,010	4,766
Future income tax liabilities		
Accounting values of properties in excess of tax values	(1,316)	(1,165)
Total future income tax assets	1,694	3,601

14. Capital stock

Authorized

- Unlimited number of common shares without par value
- Unlimited number of preferred shares

Issued

	Number of shares	Amount \$
Common		
Balance at December 31, 2001, 2000 and 1999	33,314,526	117,744

Stock warrants

In 1998, the Company issued stock purchase warrants to the shareholders of the former parent company (*note 1*), and as at December 31, 2001, there are 2,450,000 (2000 - 2,450,000) stock purchase warrants outstanding, each entitling the holder to purchase one common share for \$2.41. The stock purchase warrants expire on July 22, 2002.

Stock options

Certain employees and directors of the Company have been granted options to purchase, for cash, common shares at an exercise price of not less than 100% of the market value of the common shares at the date granted. Any options granted must be exercised within 10 years and generally vest at the rate of 20% per year over the first five years. The details of the stock options issued are as follows:

	2001		2000	
	Number of shares	Weighted average exercise price \$	Number of shares	Weighted average exercise price \$
Outstanding -				
Beginning of year	2,840,000	0.97	2,660,000	0.99
Granted	-	-	180,000	0.75
Exercised	-	-	-	-
Expired/forfeited	(210,000)	(1.11)	-	-
Outstanding - End of year	2,630,000	0.96	2,840,000	0.97
Options exercisable at year end	1,571,000	0.96	1,199,000	0.96

Exercise price \$	Options outstanding		Options exercisable	
	Number outstanding December 31, 2001	Weighted average remaining contractual life (years)	Number exercisable at December 31, 2001	Weighted average exercise price \$
0.67	180,000	7.23	72,000	0.67
0.75	380,000	8.03	302,000	0.75
0.78	525,000	7.50	270,000	0.78
1.11	1,545,000	6.46	927,000	1.11
	2,630,000	6.95	1,571,000	0.96

15. Earnings per share

Basic earnings per common share is computed by dividing net earnings by the weighted average number of common shares outstanding during the period. For diluted earnings per common share, the denominator also includes the effect of exercising the common stock purchase warrants and stock options only if dilutive.

The following table sets forth the computation of basic and diluted earnings per share:

	2001	2000
	\$	\$
Net earnings, being earnings available to common shareholders		
- basic and diluted earnings per share	3,148	6,185
Weighted average number of common shares - basic earnings per share	33,314,526	33,314,526
Effect of dilutive securities - common stock purchase warrants and stock options	305,841	120,908
	33,620,367	33,435,434

16. Commitments

Under an infrastructure development and funding agreement dated July 21, 1997 between the Company and PPHL, the Company has an obligation to fund costs incurred by PPHL associated with infrastructure development (IDFA costs) for those portions of the Concord Pacific Place site for which the Company holds purchase options (*note 6*). The timing and amount of funding are dependent upon when these costs are incurred by PPHL.

17. Contingencies

Initial tests by both the Company and CLC indicate that the CityPlace lands contain hazardous substances that exceed the allowable levels for residential developments. Under the terms of the acquisition of the CityPlace lands from CLC, the cost of soil remediation will be shared between the Company and CLC subject to a maximum amount beyond which CLC is not required to contribute. If the maximum contribution is reached, the Company may either pay the additional costs or return the unremediated land to CLC. The amount of the contingent liability, if any, cannot be determined at this time and therefore, no amount has been accrued in these consolidated financial statements.

Notes to Consolidated Financial Statements December 31, 2001 and 2000

(in thousands of Canadian dollars, except per share amounts)

18. Interest

Interest charges (income) were incurred as follows:

	2001	2000
	\$	\$
Bank debt	4,640	5,437
Note payable	951	1,188
Other financing of properties	4,320	2,740
	9,911	9,365
Less: Interest capitalized to properties (note 3)	(9,911)	(9,365)
	-	-
Interest income	(379)	(1,297)
	(379)	(1,297)

19. Other income

Other income consists of forfeited sales deposits, rental income received from rental property units and distributions received from Crestmark.

20. Related party transactions

Subsequent to the acquisition of the Concord Pacific Place assets, certain officers and directors of PPHL and its affiliated companies (the Pacific Place Group) became officers and directors of the Company. In addition to related party transactions and balances disclosed elsewhere in these consolidated financial statements, the Company undertook the following transactions with the Pacific Place Group and with companies having a common director with Concord. Transactions with related parties are recorded at amounts negotiated between the parties.

	2001	2000
	\$	\$
Project management charges paid	2,050	1,963
Remuneration expenses and other expenses recovered by the Company	221	1,280
Interest expense	951	1,055

During the year ended December 31, 2001, the Company accrued a liability of \$153 pursuant to certain agreements relating to the sale of condominium units that an officer of the Company had contracted to purchase in 1999 but which the Company had contracted to sell to third parties during 2001 on his behalf.

21. Information about geographic operating areas

The Company is based in Vancouver, but is currently developing properties in both downtown Vancouver and downtown Toronto. The following tables detail specific information regarding the Company's two main operating areas:

	2001		
	Vancouver	Toronto	Total
	\$	\$	\$
Revenues	33,193	-	33,193
Net earnings (loss)	3,756	(608)	3,148
Property, plant and equipment	2,245	1,883	4,128
Total assets	155,791	271,487	427,278

	2000		
	Vancouver	Toronto	Total
	\$	\$	\$
Revenues	102,138	-	102,138
Net earnings (loss)	6,462	(277)	6,185
Property, plant and equipment	1,913	2,556	4,469
Total assets	91,881	161,156	253,037

22. Financial instruments

Credit risk exposures

The financial instruments that potentially expose the Company to a concentration of credit risk are cash and cash equivalents, amounts receivable and the amount due from Pacific Place Holdings Ltd. The Company limits its exposure to credit loss by placing its cash with high quality financial institutions. Management regularly monitors the credit worthiness of its debtors and believes it has adequately provided for any exposure to potential credit loss.

Interest rate risk exposures

All of the Company's financial instruments are non-interest bearing, except for cash and cash equivalents, which earn interest at market rates, and liabilities on properties and the note payable, which bear interest as disclosed in notes 9 and 12, respectively.

Fair values

The fair values of cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities, and sales deposits approximate their carrying values given the short term to maturity of these instruments.

The estimated fair values of the bank debt included in liabilities on properties are estimated by reference to current market rates for debt securities with similar terms and characteristics and are not materially different from their book values.

The fair value of other financing on land held for future development is not practicable to determine with sufficient reliability as there are no similar financing arrangements available for comparison.

23. Subsequent event

On January 1, 2002, the Company and PPHL were amalgamated pursuant to section 185 of the Canada Corporations Act. As a result of the amalgamation, the Company has effectively acquired the financial risks and rewards of PPHL's assets, liabilities and operations that it previously did not have (*note 5*). Accordingly, the Company will account for the amalgamation using the purchase method. The net assets of PPHL are recorded by the Company upon amalgamation at their fair values and the Company includes the results of operations of what was formerly PPHL commencing from January 1, 2002.

The fair values attributed to the assets and liabilities of PPHL at January 1, 2002 reflect the amount of consideration paid for them by Concord. Accordingly, the excess of the appraised fair market value of the properties at January 1, 2002 over the amount paid for them by Concord is not recognized for accounting purposes.

A summary of the net book values and the attributed fair values of the net assets of PPHL acquired is as follows:

	Net book value \$	Fair value \$	Difference \$
Properties	81,543	99,955	18,412
Property, plant and equipment	255	255	-
Future income taxes recoverable	-	8,924	8,924
Cash and cash equivalents	1,805	1,805	-
Other assets	233	233	-
Total assets	83,836	111,172	27,336
Liabilities on properties	(72,408)	(72,408)	-
Advances from Concord Pacific Group Inc.	(11,250)	(11,250)	-
Sales deposits	(11,323)	(11,323)	-
Accounts payable and accrued liabilities	(11,951)	(11,951)	-
Minority interest	(4,240)	(4,240)	-
Total liabilities	(111,172)	(111,172)	-
Consideration paid (<i>note 5</i>)	(27,336)	-	27,336

Notes to Consolidated Financial Statements December 31, 2001 and 2000

(in thousands of Canadian dollars, except per share amounts)

23. Subsequent event (cont'd)

The consolidated balance sheet of the Company as at January 1, 2002 reflecting the amalgamation of PPHL with Concord is as follows:

	\$
Assets	
Properties	501,924
Property, plant and equipment	4,383
Cash and cash equivalents	2,560
Other assets	3,475
Future income taxes recoverable	10,618
	522,960
Liabilities	
Liabilities on properties	290,892
Accounts payable and accrued liabilities	52,835
Income and large corporations taxes payable	1,424
Sales deposits	63,254
	408,405
Shareholders' Equity	
Capital stock	117,744
Stock warrants	613
Deficit	(3,802)
	114,555
	522,960

24. Comparative figures

Certain comparative figures have been reclassified to conform with the basis of financial statement presentation adopted in the current year.

Corporate Information

Officers and Directors

Directors

Terence Hui, Vancouver, British Columbia

President and Chief Executive Officer, Concord Pacific Group Inc.

David G.A. McLean ^(1 &2), Vancouver, British Columbia

Chairman and Chief Executive Officer, McLean Group of Companies

Jon Markoulis ⁽¹⁾, Nassau, Bahamas

President, The Grand Bahamas Development Co.

Cedric Ritchie ⁽¹⁾, Toronto, Ontario, *Corporate Director*

Frank Sixt ^{(2) (*)}, Hong Kong, China

Group Finance Director, Hutchison Whampoa Limited

David Smith ⁽¹⁾, Toronto, Ontario

Chairman, Fraser Milner Casgrain

(1) Member of the Audit and Corporate Governance Committee

(2) Member of the Human Resources Committee

(*) Resigned March 25, 2002

Officers

David G.A. McLean, *Chairman*

Terence Hui, *President and Chief Executive Officer*

Henry Man, *Executive Vice-President and Chief Operating Officer*

Mitchell Gropper, Q.C., *Corporate Secretary*

David Negrin, *Senior Vice-President, Development*

Daniel Ullnder, *Senior Vice-President, Sales and Marketing*

Peter Wong, *Senior Vice-President, Construction*

Dennis Au-Yeung, *Vice-President, Finance*

Main Address

9th Floor, 1095 West Pender Street

Vancouver, British Columbia V6E 2M6

Tel: 604-681-8882

Fax: 604-895-8296

www.concordpacific.com

Vancouver Presentation Centre

1550 Homer Mews

Vancouver, B.C.

Tel: 604-899-8800

Fax: 604-899-8000

Toronto Presentation Centre

23 Spadina Avenue

Toronto, Ontario M5V 3M5

Tel: 416-813-0333

Fax: 416-813-0300

www.cityplace.ca

Auditors

PricewaterhouseCoopers LLP

601 West Hastings Street

Vancouver, British Columbia V6B 5A5

Tel: 604-806-7000

Fax: 604-806-7806

Share Transfer Agent

Computershare Trust Company of Canada

510 Burrard Street

Vancouver, British Columbia V6C 3B9

Tel: 604-661-0246

Fax: 604-683-3694

Share Listing

Toronto Stock Exchange

Symbol: CPN

Shareholders are invited to attend the Annual

General Meeting to take place on June 7, 2002

at the Fairmont Hotel Vancouver.

 Concord Pacific Group Inc.

Printed in Canada